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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS**DOCKETED**

ROBERT "BOB" BURNS – Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

DEC 17 2019

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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF REVISED TEP PARTIAL
REQUIREMENTS RATE SCHEDULE RIDER-11
(R-11).

DOCKET NO. E-01933A-17-0360

DECISION NO. 77513

OPINION AND ORDER

DATES OF HEARING:

January 17, 2019 (Procedural Conference); February 25, 2019 (Procedural Conference); June 4, 2019 (Procedural Conference); August 2, 2019 (Procedural Conference); August 20, 2019 (Oral Argument); August 21, 2019 (Pre-Hearing Conference); August 26, 2019 (Public Comment); August 27-29, 2019 (Evidentiary Hearing); October 10, 2019 (Oral Argument).

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Scott M. Hesla

APPEARANCES:

Mr. Michael W. Patten, SNELL & WILMER, L.L.P., on behalf of Tucson Electric Power Company and UNS Electric, Inc;

Mr. Bradley S. Carroll, on behalf of Tucson Electric Power Company and UNS Electric, Inc.;

Ms. Melissa M. Krueger and Mr. Thomas L. Mumaw, PINNACLE WEST CAPITAL CORPORATION, on behalf of Arizona Public Service Company;

Mr. Raymond Heyman, SNELL & WILMER, L.L.P., on behalf of Arizona Public Service Company;

Mr. Thomas A. Loquvam, THE LOQUVAM LAW FIRM, on behalf of Arizona Energy Policy Group, Inc.;

Mr. Stanley B. Lutz, LEWIS ROCA ROTHGERBER CHRISTIE, on behalf of Arizona Energy Policy Group, Inc.

Mr. Court S. Rich, ROSE LAW GROUP, P.C., on behalf of 1.21 GW LLC;

Mr. Peter M. Morgan, on behalf of Sierra Club Environmental Law Program;

Ms. Jennifer A. Cranston, GALLAGHER & KENNEDY, P.A., on behalf of Grand Canyon State Electric Cooperative Association, Inc.;

Mr. Adam L. Stafford, on behalf of Western Resource Advocates; and

Ms. Maureen Scott, Mr. Robert W. Geake, and Ms. Robyn Poole, Arizona Corporation Commission Legal Division, on behalf of the Utilities Division.

BY THE COMMISSION:

On December 5, 2017, Tucson Electric Power Company (“TEP”) filed an application with the Arizona Corporation Commission (“Commission”) requesting modification and clarification of its Partial Requirements Services (“PRS”) Tariff, Rider-11 (“Rider-11”) in a manner that would: 1) clarify the scope of partial requirements service to both qualifying facilities (“QFs”)¹ and to partial requirements customers with generating facilities that do not otherwise qualify as QFs; 2) set forth the avoided costs rates that TEP will pay to a QF; and 3) set a limitation of two years on the term of a QF contract. Arizona Public Service Company (“APS”) and UNS Electric, Inc. (“UNSE”) filed similar applications in other dockets,² and the three dockets were joined for the purpose of holding a joint evidentiary hearing. The issue germane to all three dockets is whether and to what extent the Commission should mandate a standard contract term for fixed price contracts with QFs under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

Intervention in all three dockets was granted to Sierra Club, Arizona Energy Policy Group, Inc. (“AEPG”), Grand Canyon State Electric Cooperative Association (“GCSECA”), 1.21 GW, LLC (“1.21 GW”), and Western Resource Advocates (“WRA”).

On August 27-29, 2019, a full public joint evidentiary hearing was held before a duly authorized Administrative Law Judge of the Commission. At that hearing, TEP, UNSE, APS, Sierra Club, AEPG,

¹ PURPA defines a QF as a small power production facility or cogeneration facility that has a right to be served by, and sell to, its host electric utility at the utility’s avoided cost rate. A small power production facility is a generating facility of 80 MW or less whose primary energy source is renewable (solar, wind, hydro), biomass, waste, or geothermal resources. A cogeneration facility is a generating facility that sequentially produces electricity and another form of useful thermal energy (such as heat or steam) in a way that is more efficient than the separate production of both forms of energy (e.g. using steam to provide hot water for domestic heating purposes). 18 C.F.R. §§ 292.101, *et seq.*

² See Docket No. E-01345A-16-0272 and Docket No. E-04204A-18-0087, respectively.

GCSECA, 1.21 GW, WRA, and Staff appeared through counsel. TEP and UNSE provided the testimony of Mr. Michael E. Sheehan; APS provided the testimony of Mr. Bradley J. Albert and Mr. Leland R. Snook; GCSECA provided the testimony of Mr. Kurt Strunk; Sierra Club provided the testimony of Mr. Neal Townsend; 1.21 GW provided the testimony of Mr. Ben F. Jacoby and Mr. Jason Ellsworth; and Staff provided the testimony of Mr. Patrick LaMere. At the conclusion of the hearing, the parties were directed to file initial closing briefs by October 9, 2019, and reply briefs by October 16, 2019.

DISCUSSION

I. PURPA

PURPA was enacted by Congress in 1978 for the primary purpose “to lessen the country’s dependence on foreign oil and to encourage the development of renewable energy technologies as alternatives to fossil fuel.”³ PURPA achieves its purpose by requiring electric utilities to purchase energy and capacity from QFs at the utility’s avoided cost.⁴ This mandatory purchase obligation is commonly referred to as the “must-take” or “must-purchase” provision.⁵

The Federal Energy Regulatory Commission (“FERC”) develops rules to implement PURPA. The rate at which the utility must purchase the power from a QF is at the utility’s avoided cost.⁶ The utility’s avoided cost is the “incremental cost to an electric utility of electric energy or capacity or both which, but for the purchase from the [QF], such utility would generate itself or purchase from another source.”⁷ The avoided cost rate must be just and reasonable, in the public interest, and nondiscriminatory against QFs.⁸ The QF developer has the option to set a fixed QF contract rate at either the time of the QF contract (the “legally enforceable obligation” or “LEO”) or at the time of delivery.⁹ Under current PURPA regulations, the avoided cost rate cannot be adjusted during the term of the contract.¹⁰

³ *FERC v. Mississippi*, 456 U.S. 742, 745-46 (1982).

⁴ 18 C.F.R. § 292.303.

⁵ Exh. APS-3 at 3.

⁶ 18 C.F.R. § 292.303.

⁷ 18 C.F.R. § 292.101(b)(6).

⁸ 18 C.F.R. § 292.304(a)(1).

⁹ 18 C.F.R. § 292.304(d).

¹⁰ However, FERC recently proposed changes to its rules to allow adjustments to the avoided cost rates during the term of the QF contract. See Discussion Section II, *infra*.

1 In 2005, Congress enacted the Energy Policy Act which amended PURPA to account for the
2 development of competitive markets. Section 210(m) of PURPA provides utilities with the ability to
3 petition FERC for relief from the “must-take” obligation. FERC will grant such relief provided that
4 the QF has nondiscriminatory access to competitive wholesale energy markets within the utility’s
5 service territory. In Order 688, FERC determined which of the existing wholesale markets, Regional
6 Transmission Organizations (“RTOs”), and Independent System Operators (“ISOs”) met the
7 requirements for relief under Section 210(m).¹¹

8 Sections 201 and 210 of PURPA require state regulatory agencies to implement the rules
9 promulgated by FERC. Specifically, PURPA provides state regulatory agencies with the “primary role
10 in calculating avoided costs and in overseeing the contractual relationship between QFs and utilities.”¹²
11 State regulatory agencies may comply with PURPA’s requirements “by issuing regulations, by
12 resolving disputes through orders on a case-by-case basis, or by taking any other action reasonably
13 designed to give effect to [PURPA’s requirements].”¹³

14 The Commission considered and decided how to implement the requirements of PURPA in
15 Decision Nos. 52345 (July 27, 1981) and 56271 (December 18, 1988) (collectively, the “PURPA
16 Policy”). The purpose of the PURPA Policy was to (1) “encourage development of cogeneration and
17 small power production;” (2) “provide a flexible guideline for the development of cogeneration and
18 small power production resources where such development is cost beneficial and in the best interest of
19 ratepayers, the electric utility company, and the [QF];” and (3) “reduce the administrative and
20 bureaucratic barriers to the advancement of cogeneration and small power production, not to impose
21 frustrating delays and procedures.”¹⁴

22 Notably, neither PURPA nor the PURPA Policy specify a minimum (or a maximum) QF
23 contract term length.¹⁵ FERC has recently clarified that legally enforceable contract terms under
24 PURPA must be long enough to “allow QFs reasonable opportunities to attract capital from potential
25

26 ¹¹ See 18 C.F.R. § 292.309(a)(1), (2), and (3).

27 ¹² *Allco Renewable Energy Ltd. v. Massachusetts Elec. Co.*, 208 F.Supp.3d 390, 393 (D. Mass. 2016).

28 ¹³ *FERC v. Mississippi*, 456 U.S. 742, 751 (1982)

¹⁴ Decision No. 52345, Policy Statement at 1.

¹⁵ *Id.*

investors.”¹⁶ Many state regulatory agencies have initiated proceedings to review their PURPA implementation policies, including establishing or modifying existing minimum contract term length for fixed-price contracts between utilities and QFs.

II. FERC’s Proposed Modifications to PURPA

On October 4, 2019, FERC published a Notice of Proposed Rulemaking (“NOPR”) proposing to revise its PURPA regulations “in light of changes in the energy industry since 1978.”¹⁷ The purpose of the proposed revisions are to “grant state regulatory authorities that oversee regulated electric utilities and nonregulated electric utilities...the flexibility in key respects to incorporate competitive market pricing in the rates paid by electric utilities to [QFs].”¹⁸ Specifically, the NOPR would modify the existing rules to allow, among other things, state regulatory authorities: 1) to incorporate market pricing into avoided cost energy rates; and 2) require energy rates (but not capacity rates) to vary during the life of QF contracts.¹⁹ In addition, the NOPR requires state regulatory authorities to establish objective and reasonable standards for QFs to obtain legally enforceable obligations for the purchase of their power.²⁰

III. The Investment Tax Credit

On May 30, 2019, at a scheduled Staff Open Meeting, the Commission voted in favor of directing the Hearing Division to develop an appropriate procedural schedule to process this matter prior to the end of calendar year 2019. At that time, the Commission expressed concern that certain QF developers in Arizona may partially lose the benefit of certain federal tax credits if this matter was not decided before the end of 2019.

Section 48 of the Internal Revenue Code (“IRC”) provides a federal investment tax credit (“ITC”) for qualifying energy property placed in service during the relevant taxable year. The tax credit was enacted by the Energy Tax Act of 1978, which created a temporary 10 percent tax credit for business energy property and equipment utilizing qualifying energy resources other than oil or natural

¹⁶ *Windham Solar LLC & Allco Fin. Ltd.*, 157 FERC ¶61,134 (2016) at ¶8.

¹⁷ Qualifying Facility Rates and Requirements, Implementation Issues under the Public Utility Regulatory Policies Act of 1978, 168 FERC ¶61, 184 (September 19, 2019) (“FERC NOPR”), at ¶1. *See also* FERC Docket Nos. RM19-15-000 and AD16-16-000.

¹⁸ FERC NOPR at ¶4.

¹⁹ *Id.* at ¶¶5, 7

²⁰ *Id.* at ¶7.

1 gas. Congress has enacted additional legislation over the years resulting in substantial modifications
2 to the ITC.²¹ Currently, eligible residential and commercial types of energy property can earn: a 30
3 percent tax credit if the project begins construction prior to January 1, 2020; a 26 percent tax credit if
4 the project begins construction prior to January 1, 2021; and a 22 percent tax credit if the project begins
5 construction prior to January 1, 2022. The tax credit continues a 4 percent step down each successive
6 taxable year until the tax credit amount is equal to 10 percent.

7 On July 25, 2019, Congress introduced the Renewable Energy Extension Act of 2019, which
8 would amend Section 48 of the IRC to provide a 5-year extension of the 30 percent tax credit through
9 the end of taxable year 2024. However, to date, this legislation remains pending and no action has thus
10 far been taken by Congress.

11 **IV. Staff's Recommendation to Suspend this Proceeding**

12 On October 4, 2019, Staff filed a Request for a Procedural Conference requesting that a
13 procedural conference be scheduled to discuss, among other things, whether this proceeding should be
14 suspended in order to allow time for FERC to finalize its proposed revisions to PURPA. According to
15 Staff, the NOPR, if adopted as proposed, would materially alter Staff's recommendations in this
16 proceeding. Staff indicates that a delay of six months should allow FERC adequate time to finalize its
17 proposed revisions set forth in the NOPR. TEP, UNSE, APS, AEPG, and GCSECA support Staff's
18 recommendation to suspend this proceeding as being in the public interest. 1.21 GW, Sierra Club, and
19 WRA oppose Staff's recommendation and urge the Commission to move forward with a decision in
20 this proceeding.

21 AEPG argues that any decision reached in this docket will be overtaken by federal regulatory
22 changes. According to AEPG, if a decision is issued in this docket, the Commission will need to revisit
23 these issues in a relatively short timeframe. AEPG further argues that if the Commission orders utilities
24 to enter into long-term contracts with QFs at a fixed avoided cost now, and FERC revises its rules to
25 allow energy rates to vary, ratepayers will be denied the benefit that change would bring to Arizona.

26 ²¹ Subsequent legislative modifications to the ITC include: the Tax Reform Act of 1986; the Miscellaneous Revenue Act
27 of 1988; the Omnibus Budget Reconciliation Act of 1989; the Omnibus Budget Reconciliation Act of 1990; the Tax
28 Extension Act of 1991; the Energy Policy Act of 1992; the Energy Policy Act of 2005; the Tax Relief and Health Care Act
of 2006; the Emergency Economic Stabilization Act of 2008; the American Recovery and Reinvestment Act of 2009; the
Consolidated Appropriations Act of 2016; and the Bipartisan Budget Act of 2018. Exh. S-1b at 10.

1 AEPG asserts that no harm will result from a short suspension of this proceeding to allow FERC to
2 issue its final rule.

3 1.21 GW argues that the Commission should not grant a suspension of this proceeding for the
4 following four reasons: 1) the fact that FERC was working towards issuance of a NOPR has been
5 known to the Commission from the outset of this proceeding, and the Commission made its intention
6 known to move forward with this understanding; 2) it is impossible to anticipate what, if any, final rule
7 will result from the NOPR, or how that final rule will impact Arizona; 3) the NOPR is only a draft rule
8 and as such, it carries no weight; and 4) the logic of suspending this proceeding due to a rulemaking
9 would call for placing virtually every item at the Commission on hold while the Commission resolves
10 its own docket dealing with the Commission's energy rules. 1.21 GW maintains that if the NOPR
11 becomes a final rule, the Commission can revisit the issue at that time for future PURPA
12 implementation.

13 Sierra Club argues that the Commission should not suspend this proceeding because it could be
14 years before FERC finalizes its proposed rulemaking. According to Sierra Club, the most recently
15 completed FERC rulemaking took over three years between the NOPR and the Final Rule, with the
16 effective date coming more than four years after the NOPR was issued.²² Further, Sierra Club notes
17 that the final rule may diverge significantly from the proposed rule. Moreover, Sierra Club contends
18 that any changes by FERC to PURPA cannot change Congressional intent that PURPA be used to
19 promote QF development.

20 Resolution

21 There is merit to Staff's recommendation to temporarily delay the outcome of this proceeding
22 pending the finalization of FERC's proposed changes to PURPA. However, PURPA and FERC's rules
23 remain in effect, and the Commission maintains an obligation to implement PURPA as it exists today.
24 Moreover, although Staff suggests that the rulemaking process might be finalized within six months,
25 there is no guarantee that the rulemaking process will be completed within such an immediate
26 timeframe. Indeed, it is not inconceivable that FERC's rulemaking process will endure for multiple

27 ²² Data Collection for Analytics and Surveillance and Market-Based Rate Purposes, 84 Fed. Reg. 36,390, 36,392 (July 26,
28 2019) (noting that the NOPR was issued on July 21, 2016, the Final Rule was issued July 26, 2019, and the Final Rule will
become effective October 1, 2020).

1 years. Accordingly, we decline to adopt Staff's recommendation to suspend the outcome of this
2 proceeding pending the finalization of FERC's rulemaking process.

3 **V. Application**

4 In its application, TEP proposes to modify Rider-11 in a manner that would: 1) clarify the scope
5 of partial requirements service to both QFs and to partial requirements customers with generating
6 facilities that do not otherwise qualify as QFs; 2) set forth the avoided cost rates that TEP will pay to a
7 QF; and 3) set a limitation of two years on the term of a QF contract. The only modification to Rider-
8 11 at issue in this proceeding is TEP's proposal to limit QF contracts to two-year terms.

9 **VI. Positions of the Parties**

10 TEP

11 TEP asserts that its proposed two-year contract term for QF contracts is just and reasonable and
12 in the public interest. TEP contends that a two-year term will ensure that QFs receive, and TEP's
13 ratepayers pay, an avoided cost rate that more accurately reflects the true costs avoided by the
14 Company. TEP notes that under current PURPA regulations, the fixed contract price cannot be
15 adjusted during the term of the contract. As a result, TEP contends that, as a practical matter, limiting
16 QF contracts to two-year terms is the only mechanism that ensures that the avoided cost rates paid to
17 QFs (and passed on to ratepayers) can be adjusted every two years.

18 TEP notes that the two-year contract term does not prevent a QF from selling energy to TEP
19 over a longer period of time. Rather, TEP maintains that PURPA's "must-take" provision requires that
20 TEP continue to purchase power from the QF for as long as the project remains in service. In this
21 regard, TEP asserts that the two-year contract term functions as a reset of the avoided cost rate to more
22 accurately reflect the costs avoided by TEP over the longer term.

23 TEP submits that avoided costs have been declining, and will continue to decline for some time,
24 due to several reasons. First, TEP claims that as southwestern states target more aggressive renewable
25 portfolio standards, solar resources have reached a saturation point where the supply and demand
26 economics are creating a fundamental shift in seasonal and hourly wholesale market prices. For
27 example, TEP notes that power markets in California are reporting negative midday prices as California
28 utilities work towards meeting their 50 percent renewable portfolio standard by 2026. TEP indicates

1 that it has entered into an agreement with the California Independent System Operator (“CAISO”) to
2 participate in the Western Energy Imbalance Market (“EIM”) beginning in April of 2022.²³ According
3 to TEP, the increased periods of negative pricing brings down the avoided cost for those utilities that
4 can take advantage of those situations.

5 Second, TEP argues that avoided costs are declining due to the reduction in price for utility-
6 scale photovoltaic (“PV”) facilities. TEP asserts that utilities that acquire PV facilities through
7 competitive procurement (as required by the Commission’s Integrated Resource Planning (“IRP”)
8 rules) are reducing their overall avoided costs.

9 Third, TEP contends that avoided costs are declining due to the fall in price for natural gas.
10 According to TEP, natural gas prices are anticipated to stay at low levels for the next several years
11 which will further depress the avoided cost rates.

12 Finally, TEP submits that avoided costs should continue to decline due to the retirement of
13 capital intense facilities that are more costly to maintain and operate (such as coal plants).

14 TEP argues that if avoided cost rates decline during a long-term QF contract, ratepayers will be
15 responsible for paying for the over-priced QF energy. TEP claims that a two-year QF pricing term
16 helps mitigate this risk because ratepayers will only be overpaying for a short period of time.
17 According to TEP, a two-year contract serves two important purposes: 1) that ratepayers will remain
18 indifferent to purchasing QF energy as opposed to energy from the utility’s existing resources; and 2)
19 that QFs will be receiving an avoided cost rate that more accurately reflects the utility’s actual avoided
20 cost.

21 TEP further argues that a two-year contract term is appropriate given the upcoming regulatory
22 changes to the energy landscape. TEP contends that FERC’s NOPR, as well as the energy-related
23 dockets pending at the Commission,²⁴ could impact QF contracts including the avoided cost rate paid
24

25
26 ²³ TEP estimates that participation in the EIM will save ratepayers \$13 million a year on an ongoing basis by expanding
real-time access to low cost or negative priced solar during times of oversupply. Exh. TEP-2 at 12-13.

27 ²⁴ TEP cites to Docket No. RU-00000A-18-0284 (“In the Matter of Possible Modifications to the Arizona Corporation
Commission’s Energy Rules”); Docket No. RE-00000A-18-0405 (“In the Matter of the Possible Modifications to the
28 Arizona Corporation Commission’s Retail Electric Competition Rules”); and Docket No. E-00000V-19-0034 (“Resource
Planning and Procurement in 2019, 2020, and 2021”).

1 to QFs. As a result, TEP maintains that adopting a two-year QF contract term would allow important
2 changes to existing regulatory policy to be factored into QF contract commitments.

3 TEP contends that a two-year QF contract term is appropriate because that term is consistent
4 with the Commission's IRP rules and process. TEP notes that under the current IRP rules, resource
5 acquisitions beyond a two-year planning horizon are required to submit to competitive bidding through
6 an Request for Proposal ("RFP") process with an independent monitor.²⁵ TEP maintains that since
7 QFs are not subject to a competitive bidding process, QFs should not be able to circumvent the IRP
8 rules by contracting for terms beyond two years.

9 TEP maintains that renewable PPA contracts acquired through competitive bidding provide
10 many benefits over QF "must-take" contracts. Specifically, TEP claims that renewable projects
11 acquired through competitive bidding brings additional value to ratepayers through negotiated terms
12 and conditions that optimize costs, interconnection location, engineering and equipment standards, and
13 coordinated system upgrade activities. Further, TEP claims that through strategically planned
14 renewable acquisitions, TEP can develop a well-balanced, technology diversified portfolio that
15 maintains reliability and minimizes integration costs for customers over the long-run.

16 TEP argues that QF "must-take" contracts offer disadvantages over renewable PPA contracts
17 acquired through competitive bidding. Specifically, TEP maintains that QF contracts under PURPA
18 do not automatically transfer Renewable Energy Credits ("RECs") to the utilities. As a result, TEP
19 argues that QF contracts create a situation where the utility is obligated to purchase the energy and
20 capacity from renewable resources without the benefit of receiving the RECs. Further, TEP maintains
21 that QF contracts under PURPA do not unilaterally allow a utility to curtail that energy in the event of
22 an oversupply on the system.²⁶

23 TEP contends that QF resources added to the system that are not accounted for in the long-term
24 planning process will create both oversupply and grid operation issues. TEP's witness Mr. Sheehan
25 testified that TEP's resource portfolio, excluding renewable "must-take" generation, will experience
26

27 ²⁵ A.A.C. R14-2-705 and -706.

28 ²⁶ See Idaho Wind Partners 1, LLC, 140 FERC ¶61, 219, 62022 (Sept. 20, 2012) (if a utility wants the ability to curtail, it must expressly reserve that right in the negotiated contract).

1 several hours where renewable generation exceeds the Company's retail load.²⁷ Specifically, Mr.
2 Sheehan testified that in 2020, TEP's renewable generation is projected to exceed TEP's retail load
3 less non-renewable must-take generation in 181 hours during the year, resulting in 6,631 megawatt-
4 hours ("MWh") of renewable generation oversupply.²⁸ Mr. Sheehan further testified that in 2021, this
5 oversupply is projected to result in 214,942 MWh of renewable generation oversupply.²⁹ According
6 to TEP, allowing QFs to avoid TEP's IRP process will likely result in projects that do not accurately
7 capture the costs of integrating the QF resource into TEP's resource portfolio, and will likely place
8 undue reliability risks on ratepayers.

9 In response to the arguments that QF contracts of less than 15-year terms are unfinanceable,
10 TEP asserts that QFs are not entitled to a "guarantee" that their projects can be financed under PURPA,
11 FERC regulations, or the Commission's PURPA Policy. Rather, TEP submits that current policies
12 only provide a QF with a reasonable opportunity to obtain financing for a QF project. TEP contends
13 that the "must-take" provision of PURPA ensures that QFs will continue to be able to sell their power
14 to utilities thereby ensuring a revenue stream that can be considered for financing purposes. According
15 to TEP, the potential variability of QF rates over a longer period of time is something that a
16 sophisticated participant in the market can reasonably estimate and factor into the financial risk for the
17 QF project. TEP notes that the FERC NOPR indicates that variable rates for energy over time will
18 likely not preclude the ability to finance a QF project.³⁰

19 Further, TEP maintains that the 15-year proposal for QF contracts fails to balance the interests
20 of all the parties. In support, TEP cites to the testimony of 1.21 GW witness Mr. Jacoby who
21 acknowledged that his recommendation for a 15-year contract term did not consider the interests of the
22 utility and the ratepayers. In this regard, TEP argues that the proposed 15-year contract term fails to
23 meet the Commission's PURPA Policy of ensuring that QF development be "cost beneficial and in the
24 best interests of the ratepayer, the electric utility company and the [QF]."³¹

26 ²⁷ Exh. TEP-2 at 13-14.

27 ²⁸ *Id.*

27 ²⁹ *Id.*

28 ³⁰ FERC NOPR at ¶¶69-78.

28 ³¹ Decision No. 52345, Policy Statement at 1.

1 In response to arguments that QF contracts will benefit ratepayers by providing more renewable
2 generation in Arizona, TEP contends that those benefits are less than what can be realized through a
3 competitive procurement process that meets the specific needs of TEP at specific locations. TEP argues
4 that QF contracts are not the same as competitively acquired renewable PPA contracts and should
5 therefore not be entitled to the same long-term price certainty.

6 In response to 1.21 GW's contention that TEP is violating PURPA by only offering a two-year
7 agreement, TEP replies that neither PURPA nor the Commission's PURPA Policy sets forth a
8 mandatory length contract term. Further, TEP notes that 1.21 GW was offered, but turned down,
9 contractual terms that TEP believes are consistent with PURPA and the Commission's PURPA Policy.
10 To the extent that 1.21 GW believes that TEP is violating any regulation or policy, TEP submits that
11 1.21 GW could have filed a complaint against TEP at any time over the last two years.

12 In response to 1.21 GW's suggestion that the 25-year term Cliffrose QF contract signed by
13 TEP's sister utility, UNSE, should dictate a longer term in this case, TEP argues that the circumstances
14 that warranted the Cliffrose QF contract have changed. Specifically, TEP maintains that the QF
15 contract with UNSE should be viewed as a "cautionary tale" for several reasons.³² First, TEP submits
16 that avoided costs for utilities have declined since UNSE entered into its QF contract, and those costs
17 are anticipated to continue declining. Second, TEP notes that the Commission is currently addressing
18 potential changes in its energy rules which TEP claims may further change the energy landscape in
19 Arizona. Finally, TEP notes that the changes in FERC's NOPR would provide for flexible pricing over
20 the term of a QF contract.

21 In response to Staff's position that the avoided cost should be updated in TEP's next rate case,
22 TEP argues that it is in the public interest to update the avoided cost rates as part of this proceeding.
23 Specifically, TEP contends that updated avoided cost rates will ensure that ratepayers are not
24 overpaying or underpaying for QF energy. Further, TEP notes that the Commission's PURPA Policy
25 allows utilities to update their avoided cost rate "as often as quarterly."³³ As a result, TEP requests that
26 the QF rates be updated as part of this proceeding.

27
28 ³² TEP Reply Brief at 7.

³³ Decision No. 52345, Policy Statement at 1.

1 Although TEP advocates for a two-year contract term, TEP submits that it can support Staff's
2 proposals for QF contract terms. Mr. Sheehan testified that "Staff's proposal objectively acknowledges
3 the wide range of customer cost risks in this case" and "provides the Commission with a balanced
4 approach to effectively encourage PURPA while protecting customers from harm in the context of
5 future resource planning."³⁴

6 AEPG

7 AEPG is a non-profit 501(c)(6) corporation formed to provide perspective to state and national
8 regulators regarding Arizona energy challenges and opportunities. AEPG's members include investor-
9 owned electric power utilities and electric cooperatives in Arizona. AEPG proposes that the
10 Commission's existing PURPA Policy remain unchanged. In the alternative, AEPG supports the
11 proposal of TEP to limit QF contracts to two-year terms.

12 AEPG argues that long-term, fixed-price contracts based on overstated avoided cost rates places
13 an undue burden on ratepayers. According to AEPG, forecasts of avoided costs have generally
14 overstated a utility's actual avoided costs, and the expectation that avoided cost projections would, on
15 average, reflect the cost avoided by utilities accepting energy from QFs has been shown to be incorrect.

16 AEPG notes that PURPA does not mandate a 15-year contract term. Although PURPA requires
17 that QFs be provided a reasonable opportunity to attract capital,³⁵ AEPG contends that PURPA does
18 not guarantee that QFs can enter into any specific financing agreement or pursue any specific business
19 model.³⁶ According to AEPG, there are multiple avenues available to QF developers to finance
20 renewable energy projects, including utilizing tax equity, debt, and cash equity.³⁷

21 AEPG contends that the market has generally seen the terms of purchase power agreements
22 with QFs decline from 20 to 30 years to 10 to 15 years over the past decade.³⁸ According to AEPG,
23 the proposed 15-year contract term would unreasonably fix the prices that QFs charge to utilities (and
24 ultimately ratepayers) above the utility's actual avoided costs.

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26 ³⁴ Exh. TEP-4 at 16-17, 23-25.

27 ³⁵ *Windham Solar LLC & Allco Fin. Ltd.*, 157 FERC ¶61,134 (2016) at ¶8.

28 ³⁶ Tr. Vol. II at 555:10-556:2; Tr. Vol. II at 422:15-423:15.

³⁷ Tr. Vol. II at 421:12-422:14; Tr. Vol. II at 445:17-446:10.

³⁸ Tr. Vol. I at 255:4-256:1.

1 AEPG notes that a number of states have imposed their own contract term limitations on QF
2 agreements. According to AEPG, Idaho has limited QF contracts to two-year terms; Alabama and
3 Tennessee have approved one-year contract terms; and Utah has approved a 15-year default term for
4 QF contracts, with the parties free to negotiate shorter terms.³⁹

5 AEPG argues that a two-year contract term is in the public interest because it would: 1) protect
6 ratepayers from overpaying for energy from QFs; 2) ensure utility access to negatively priced energy;
7 3) allow a utility to proactively plan and meet system needs and reliability; and 4) be in the best interest
8 of Arizona and its ratepayers.

9 In response to 1.21 GW's argument that TEP is acting unlawfully by refusing to enter into a
10 long-term QF contract with 1.21 GW, AEPG asserts that neither the Commission's PURPA Policy nor
11 PURPA itself prescribe a minimum or maximum term for a contract between a utility and a QF. Rather,
12 AEPG contends that the Commission's PURPA Policy provides a flexible guideline to leave the
13 negotiation of specific contract terms, including contract length, to the parties. As a result, AEPG
14 maintains that TEP is not acting in violation of any state or federal policy.

15 In response to arguments that long-term, fixed-price QF contracts are beneficial to Arizona,
16 AEPG asserts that long-term QF contracts may adversely impact Arizona utilities and their ratepayers
17 to the sole benefit of QF investors. According to AEPG, Arizona utilities have reached (or will soon
18 reach) a saturation point with respect to non-curtailable renewable resources. APEG contends that
19 without careful management of resource procurement through the IRP process, additional QF resources
20 will negatively impact a utility's ability to manage and balance its system. Further, AEPG contends
21 that additional QF resources will impact the ability of the utility to access and utilize negatively priced
22 energy in the EIM.

23 In response to arguments that utilities can negotiate a curtailment provision in a QF contract,
24 AEPG asserts that such a provision would not provide the flexibility required by utilities. According
25 to AEPG, QFs can leverage PURPA's "must-take" obligation to force utilities to pay for the energy
26 that is not taken, even if the utilities negotiate a curtailment provision that requires QFs to scale back
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28 ³⁹ Exh. GCSECA-1b at 28; Tr. Vol. III at 704:15; Tr. Vol. III at 714:2-14.

1 energy production.⁴⁰ AEPG asserts that utility-owned resources (or resources contracted through an
 2 RFP process) can be curtailed without the corresponding penalty, thereby enabling utilities to take
 3 advantage of negatively priced (or lower priced) energy.

4 GCSECA

5 GCSECA is a nonprofit organization that advocates on behalf of its Arizona electric cooperative
 6 members (the “Cooperatives”).⁴¹ GCSECA requests that any new policy adopted in this proceeding
 7 not apply to the Cooperatives. Further, GCSECA requests confirmation that the Commission’s existing
 8 PURPA Policy continue to apply to the Cooperatives, and that any new QF contract proposal be
 9 addressed on a case-by-case basis according to each individual Cooperative’s unique circumstances.

10 GCSECA contends that long-term, fixed-cost QF contracts present problems and risk for all
 11 utilities for several reasons. First, GCSECA asserts that accurately forecasting avoided costs is
 12 inherently difficult even under the best models. GCSECA witness Mr. Strunk testified that forecasting
 13 avoided costs relies on incorporating “extremely uncertain [assumptions]...into a model that’s going
 14 to [make] accurately predict[ing] avoided cost...next to impossible.”⁴² According to Mr. Strunk, the
 15 uncertain issues impacting the forecasting of avoided costs include “the penetration of rooftop solar
 16 into the future...[,], the adoption of electric vehicles, and how those vehicles are used...[,], natural gas
 17 prices...[, and] REC policies...in Arizona and in neighboring states.”⁴³ Testifying further, Mr. Strunk
 18 stated that the “history has shown [that]...factors that are going to change...were completely
 19 unpredictable at the time the forecast was made.”⁴⁴ GCSECA argues that recent forecasted avoided
 20 costs in Arizona have greatly exceeded actual avoided costs.⁴⁵ As a result, GCSECA notes that QF
 21 contracts based on these forecasted avoided costs would have resulted in utilities (and their ratepayers)
 22 paying above-market prices for extended durations.

23 ⁴⁰ Tr. Vol. II at 393:21-394:24 (“effectively, from the developer’s perspective and the investor’s prospective, it is really not
 24 curtailment per se, because they are being compensated for energy that would have been delivered”).

25 ⁴¹ GCSECA’s cooperative members include Arizona Electric Power Cooperative, Inc.; Duncan Valley Electric Cooperative,
 26 Inc.; Graham County Electric Cooperative, Inc.; Navopache Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.;
 Sulphur Springs Valley Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. GCSECA’s membership also
 includes a few out-of-state electric distribution cooperatives with relatively small Arizona service territories. Exh.
 GCSECA-1a at 3-4.

27 ⁴² Tr. Vol. I at 202:25-204:7.

⁴³ Tr. Vol. I at 202:25-204:7.

⁴⁴ Tr. Vol. I at 210:9-21.

28 ⁴⁵ Exh. APS-1 at 6-8; Tr. Vol. I at 208:9-209:10.

1 According to GCSECA, another problem with requiring utilities to enter into long-term QF
2 contracts is the mismatch between the QF resource and the utility's resource needs. GCSECA notes
3 that under normal circumstances, utilities make their long-term procurement decisions during the IRP
4 process, which allows utilities to consider, among other things, how a given resource will fit within
5 that utility's current resource portfolio. GCSECA contends that QF contracts, on the other hand, are
6 "thrust upon the utility regardless of need or fit."⁴⁶

7 GCSECA argues that the future of PURPA is uncertain. In light of the recently published FERC
8 NOPR, GCSECA contends that the Commission should avoid locking utilities (and their ratepayers)
9 into contracts with duration or term requirements that may become inconsistent with a future,
10 modernized version of PURPA.

11 GCSECA asserts that the foregoing problems with long-term QF contracts have a greater
12 detrimental impact on the Cooperatives given their smaller sizes, resources, and structure, as well as
13 the economically-challenged rural communities they serve. GCSECA notes that the "Cooperatives
14 operate with smaller margins in order to keep costs low for their member-ratepayers, which leaves less
15 cushion to absorb above-market QF contracts."⁴⁷ According to GCSECA, QF contracts have the
16 potential to detrimentally impact credit profiles of the Cooperatives, the financial consequences of
17 which are passed along to its member-ratepayers.

18 In response to Sierra Club's proposal, GCSECA acknowledges that Sierra Club witness Mr.
19 Townsend presented limited testimony at the hearing discussing how the Cooperatives could exclude
20 themselves from Sierra Club's proposal.⁴⁸ However, GCSECA notes that Sierra Club did not present
21 any argument supporting why Sierra Club's proposal should apply to the Cooperatives in the first place.
22 GCSECA therefore contends that Sierra Club's proposal should not apply to the Cooperatives.

23 GCSECA notes that no party to this proceeding provided closing argument opposing its
24 proposal that the Commission's existing PURPA Policy should continue to apply to the Cooperatives.

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26 ⁴⁶ GCSECA Closing Brief at 4:7-8.

27 ⁴⁷ *Id.* at 6:10-12.

28 ⁴⁸ Specifically, Mr. Townsend testified that the Cooperatives could file petitions with FERC seeking exemptions from the PURPA "must-take" obligation. Exh. SC-4b at 9:11-17. Mr. Townsend further testified that the Cooperatives could also seek a waiver from the Commission on a project-by-project basis. Tr. Vol. III at 716:22-718:13.

1 Rather, GCSECA notes that Staff affirmatively supported the proposal of GCSECA.⁴⁹ As a result,
2 GCSECA requests that its proposal be adopted.

3 Sierra Club

4 Sierra Club argues that QF contracts for utility-scale renewable energy development provide
5 multiple benefits for ratepayers. According to Sierra Club, these benefits include: 1) promotion of
6 renewable energy; 2) opportunities to hedge against market fluctuations by locking in current low
7 avoided cost rates for a fixed term; 3) promotion of healthy competition with utility monopolies,
8 lowering prices for ratepayers; and 4) shielding ratepayers from risk and costs associated with
9 maintenance, facility upgrades, and early retirement of major infrastructure projects.

10 Sierra Club contends that any policy that fails to set a 15-year term minimum for QF contracts
11 will act as a *de facto* ban on utility-scale renewable energy QF contracts. Specifically, Sierra Club
12 maintains that a two or three-year term will not provide enough revenue certainty for investors and will
13 render QF projects unfinanceable.⁵⁰ According to Sierra Club, the most relevant factor for financing
14 is the length of time for which there is price certainty. Sierra Club argues that the unwillingness of
15 utilities to entertain a QF contract length longer than two years is tantamount to an arbitrary roadblock
16 preventing QF contracts from moving forward. Sierra Club contends that for a QF policy to be in
17 compliance with PURPA and consistent with the Commission's PURPA Policy to encourage QF
18 development, the Commission must set a default contract term of 15 years or more. Sierra Club notes
19 that the 15-year term for QF contracts is consistent with other states, including Utah, Wyoming, and
20 Montana.⁵¹

21 Sierra Club notes that utilities are subject to PURPA's "must-take" obligation, unless exempted
22 by FERC under Section 210(m). Sierra Club further notes that no Arizona utilities have petitioned
23 FERC for an exemption to date. Sierra Club maintains that even if an Arizona utility were to petition
24 for an exemption, that petition would be denied because Arizona is not part of a competitive wholesale
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27 ⁴⁹ Tr. Vol. III at 831:20-832:10; *see also* Tr. Vol. I at 267:6-11 (counsel for 1.21 GW stated that his client had no opposition
to GCSECA's position).

28 ⁵⁰ Exh. GW-8b at 3.

⁵¹ Exh. SC-3b at 14.

1 market such as an RTO. Even if TEP joins the EIM, Sierra Club contends that this market is not
2 equivalent to an RTO.

3 Sierra Club argues that the issues raised by the utilities involving curtailment and RECs can
4 readily be addressed as negotiated provisions in the QF contract. According to Sierra Club, QF projects
5 are already curtailable for reliability reasons under PURPA,⁵² and can be curtailable for economic
6 reasons if negotiated and provided for in the QF contract. As a result, Sierra Club argues that the
7 utilities' suggestions that QF contracts impair the ability of the utility to manage and balance its system
8 or take advantage of negative pricing in the EIM are unfounded. Likewise, Sierra Club contends that
9 parties can negotiate terms in QF contracts for the sale and transfer of RECs. Sierra Club notes that
10 the Cliffrose QF contains such a provision transferring RECs for the benefit of UNSE.

11 Sierra Club contends that any concerns regarding the fixed rates in longer-term QF contracts
12 can be addressed by properly calculating the utility's avoided cost. Sierra Club maintains that when
13 the avoided cost is properly calculated, including by incorporating reasonable projections of future
14 demand and prices, unnecessary QF projects will not move forward. According to Sierra Club, a
15 properly calculated avoided cost represents an inherent check on the ability of QF developers to engage
16 in speculative projects or to compel utilities to pay for unneeded energy. Sierra Club submits that the
17 calculation of avoided cost should incorporate the time of day, season of year, the QF's generation
18 profile, customer growth, generating technologies, fuel prices, policies in place in Arizona and
19 neighboring states, the "duck curve" phenomenon, and other factors.⁵³ Further, Sierra Club contends
20 that determining the avoided cost rates for a QF contract is no less accurate or reliable than the fixed
21 rates established for long-term solar PPAs developed through the IRP or RFP processes.⁵⁴

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25 ⁵² See 18 C.F.R. § 292.307(b) ("[d]uring any system emergency, an electric utility may discontinue....[p]urchases from a
26 [QF] if such purchases would contribute to such emergency"); and 18 C.F.R. § 292.304(f) (utilities are not required to
27 purchase energy or capacity from a QF "during any period during which, due to operational circumstances, purchases from
[QFs] will result in costs greater than those which the utility would incur if it did not make such purchases, but instead
generated an equivalent amount of energy itself").

28 ⁵³ Tr. Vol. I at 49:2-18; Tr. Vol. I at 113:23-114:18; Tr. Vol. I at 238:18-23.

⁵⁴ Sierra Club notes that APS currently has seven solar PPAs, of which five have 30-year contract terms and two have 25-
year contract terms and TEP currently has 11 solar PPAs, each with a term of 20 years. Exh. GW-8b at 5.

1 1.21 GW

2 1.21 GW is attempting to secure QF contracts with TEP and APS to construct 100 MW of solar
3 QFs in TEP's service territory and 320 MW of solar QFs in APS's service territory.⁵⁵ In this
4 proceeding, 1.21 GW requests that the Commission enter an order: 1) requiring TEP to immediately
5 move forward with 1.21 GW's proposed projects under a fixed-price contract for a term of 15 years;
6 2) rejecting TEP's application; 3) rejecting Staff's recommendation; and 4) implementing a minimum
7 15-year, fixed-price contract for QFs going forward.

8 1.21 GW argues that long-term QF contracts are required under current law and policy. As
9 support, 1.21 GW notes that in 2015, UNSE entered into a 25-year QF contract with LS-Cliffrose, LLC
10 (the "Cliffrose QF").⁵⁶ According to 1.21 GW, the Cliffrose QF is reflective of UNSE and TEP's⁵⁷
11 understanding that utilities are obligated to provide long-term contracts to QFs. Similarly, 1.21 GW
12 notes that the APS compliance filing reports dated 2004⁵⁸ and 2006⁵⁹ (collectively, "APS Compliance
13 Filings") are reflective of APS's understanding that utilities are obligated to provide long-term
14 contracts because those reports contemplate a pricing methodology for QFs seeking term commitments
15 longer than 5 years. 1.21 GW argues that the Cliffrose QF and APS Compliance Filings provide proof
16 that the utilities understand that current law and policy prohibit them from limiting QF contracts to
17 two-year terms. Further, 1.21 GW asserts that it would be irrational to conclude that APS, TEP, and
18 UNSE filed their applications seeking permission to do what they already could do, namely, limit QF
19 contracts to two-year terms.

20 1.21 GW contends that it would be poor public policy for the Commission to allow utilities to
21 enforce the terms of an application that has not yet been approved. 1.21 GW argues that the public
22 should have a right to rely on the continued fair application of rules and policies by a utility. 1.21 GW
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24 ⁵⁵ 1.21 GW initially submitted inquiries to construct twelve 80 MW solar QFs totaling 960 MW in APS's service territory.
25 Exh. APS-2, Exhibit A. However, 1.21 GW witness Mr. Ellsworth testified that 1.21 GW would initially only construct
four QF facilities totaling 320 MW in APS's service territory. Tr. Vol. III at 769:7-22.

26 ⁵⁶ Exh. GW-13b.

27 ⁵⁷ UNSE is the sister company of TEP, and both are among a family of utilities owned by Fortis.

28 ⁵⁸ Exh. GW-6b at 4 ("The Company believes that for agreements of five years or less, its Avoided Energy Costs will be
based on the Market Price otherwise paid for firm energy purchases. For QF's [sic] seeking longer term agreements, APS
will determine its avoided costs based on the individual QF proposal using the Company's standard evaluative modeling
for long-term resources.").

⁵⁹ Exh. GW-5b at 4.

1 submits that it has expended significant time and money in an effort to advance its QF projects in
2 keeping with the Commission's PURPA Policy and the precedent in the state (e.g. the Cliffrose QF).
3 According to 1.21 GW, public policy implications weigh heavily in favor of permitting 1.21 GW to
4 proceed with its proposed QF projects in Arizona.

5 1.21 GW maintains that the utilities are acting unlawfully by refusing to enter into viable QF
6 contracts with 1.21 GW. According to 1.21 GW, two-year QF contracts are not viable because they
7 are not financeable. 1.21 GW asserts that compliance with PURPA requires the utilities to allow for
8 the establishment of QFs, and the Commission's PURPA Policy states that QFs are to be encouraged.
9 1.21 GW contends that the utilities are not following the applicable state and federal regulations and
10 are therefore violating their obligations under the law. 1.21 GW submits that in order to remedy this
11 illegal behavior, the Commission must order the utilities to offer 15-year QF contracts for 1.21 GW's
12 proposed projects.

13 1.21 GW contends that it has been harmed due to the delay in executing QF contracts with APS
14 and TEP. According to 1.21 GW, both utilities' avoided costs have fallen since 1.21 GW first requested
15 QF contracts from APS and TEP. 1.21 GW submits that in order to limit future damages, the
16 Commission must order the utilities to immediately move forward with 15-year term QF contracts.

17 1.21 GW argues that a two or three-year term would effectively end new-build QF projects.
18 1.21 GW witness Mr. Jacoby testified that "it is quite clear than a contract term of two or three years
19 is not sufficient to support new build development....[as] these are very capital intensive investments,
20 and investors...need price certainty for a certain period of time...in order to recoup their investment
21 and earn a return."⁶⁰ Testifying further, Mr. Jacoby stated that the "required period of revenue
22 certainty, which typically comes in the form of a long-term [QF contract], has historically been for at
23 least 50 percent of the 30 to 35-year useful life of a solar facility. With a 15-year [QF contract],
24 investors are thus balancing 15 years of price certainty and at least 15-years of market price risk in their
25 financial analysis."⁶¹

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28 ⁶⁰ Tr. Vol. II at 390:10-21.

⁶¹ Exh. GW-8b at 3.

1.21 GW contends that a 15-year term is a fair and reasonable compromise. 1.21 GW submits that numerous solar PPAs acquired by utilities via RFPs are for 20 to 30-year terms.⁶² As Mr. Jacoby testified, “while there has been a general trend in the utility scale solar market toward shorter term PPAs, the shortest term PPAs we have recently seen financed in regulated markets have been 15 years.”⁶³ 1.21 GW argues that its proposed 15-year term is a reasonable compromise that will provide a QF developer an opportunity to achieve financing.

1.21 GW argues that the proposed two and three-year terms violate federal law because FERC requires QF contracts terms to be “long enough to allow QFs reasonable opportunities to attract capital from potential investors.”⁶⁴ According to 1.21 GW, 15 years is the minimum reasonable timeframe needed to meet federal requirements.

1.21 GW contends that the proposed QF projects will provide numerous benefits to Arizona and its ratepayers. Specifically, 1.21 GW claims the benefits are: 1) the addition of 420 MW of clean solar energy; 2) the projects will be paid for by investor money, not ratepayer money; 3) the investors, not the utility or its ratepayers, take on the risk that the QFs will underperform or incur increased operational costs; 4) QFs increase competition with monopoly utilities; and 5) QFs displace utility investments on which the utility would otherwise earn a return, therefore saving ratepayers money.

In response to arguments that QFs will be built independent of a utility’s need, 1.21 GW argues that this position ignores the manner in which QFs come on to a utility’s system. According to 1.21 GW, the concept of avoided cost pricing self-regulates QF development because as each QF facility is brought online, the avoided cost associated with each successive QF project will be reduced. 1.21 GW contends that the avoided cost rate will reflect when there is no longer a need for additional QF energy and capacity because the avoided cost rate will be so low that it will be uneconomical for additional QFs to come on to the system.

In response to arguments that long-term avoided cost pricing poses a risks to ratepayers, 1.21 GW asserts that these arguments are flawed because they assume that avoided costs will decline indefinitely. 1.21 GW argues that avoided costs are currently at historic lows and are expected to

⁶² Tr. Vol. I at 131:25-132:3; Exh. GW-8b at 5-6.

⁶³ Exh. GW-8b at 3.

⁶⁴ *Windham Solar LLC & Allco Fin. Ltd.*, 157 FERC ¶61,134 (2016) at ¶8.

1 increase in the future. According to 1.21 GW, ratepayers can benefit by locking in today's low avoided
2 cost pricing and avoid exposure to potentially higher rates in the future.⁶⁵

3 In response to Staff's recommendation, 1.21 GW asserts that Staff's proposal to implement a
4 50 MW program to allow QFs between 100 kW and 2 MW to take service under a nine-year term QF
5 contract is both inefficient and ignores the benefits of utility scale solar. In support, 1.21 GW cites the
6 testimony of Mr. Jacoby who stated that "Staff's proposal effectively focuses QF development into a
7 relatively insignificant distributed market of very limited size and excludes utility scale projects."⁶⁶
8 Testifying further, Mr. Jacoby stated that "the larger the project the greater the economic efficiencies....
9 [What] Staff is recommending is, from a financing standpoint, that's an inefficient program."
10 According to 1.21 GW, Staff's recommendation is flawed because it focuses on system sizes that are
11 economically less efficient.

12 WRA

13 WRA argues that the Commission's PURPA Policy has not been effective in encouraging the
14 development of small power production in Arizona. Since PURPA was implemented in 1978, WRA
15 notes that APS has had 21 contracts with QFs, all of which were for contract terms of one year.⁶⁷ In
16 terms of current QF contracts among the utilities, WRA notes that APS has no QF contracts;⁶⁸ TEP has
17 no QF contracts;⁶⁹ and UNSE has one QF contract for a 46 MW solar project, for a contract term of 25
18 years (the Cliffrose QF).⁷⁰ According to WRA, the lack of QFs currently producing energy for Arizona
19 cannot be considered a successful result.

20 WRA argues that the proposals of TEP and Staff will not encourage the development of
21 renewable small power production in Arizona. In support, WRA cites the testimony of 1.21 GW
22 witness Mr. Jacoby who testified that "the shortest term solar PPAs we have recently seen financed in
23 regulated markets have been 15 years"⁷¹ and "a contract term of two or three years is not sufficient to
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25 ⁶⁵ Exh. GW-1a; Tr. Vol. I at 124:17-125:17 (natural gas prices are projected to increase over the next 30 years, which may place upward pressure on the avoided cost rates).

26 ⁶⁶ Exh. GW-9b at 2.

27 ⁶⁷ Exh. APS-4, Exhibit A; Tr. Vol. II at 316:3-9.

28 ⁶⁸ Tr. Vol. II at 301:15-21.

⁶⁹ Tr. Vol. II at 538:21-22.

⁷⁰ Tr. Vol. II at 525:1-4; Tr. Vol. II at 538:10-20.

⁷¹ Exh. GW-8b at 3.

1 support new build development.”⁷² According to WRA, a 15-year, fixed-price contract will provide a
2 reasonable opportunity for QFs to obtain financing for a new-build utility-scale solar facility. WRA
3 claims that without a reasonable period of price certainty for investors, QF projects will not be built.

4 Staff

5 Staff recommends the following contractual terms and conditions for PURPA contracts
6 between QFs and TEP:

- 7 • The Utility will provide a standard offer contract for a contract term of nine (9) years, applicable
8 to a QF with a nameplate capacity over 100 kW and under 2 MW.
- 9 • The rate paid to the QF within this capacity range will be established using the Utility’s long-
10 term avoided cost. The Utility shall use the long-term avoided cost methodology established
11 by the Commission. The long-term avoided cost shall take into account market conditions
12 including any impact the contract will have on excess energy in the market.
- 13 • The Utility will offer this standard offer contract for QFs until it reaches aggregate total QF
14 capacity of 50 MW for that Utility. So long as the Utility does not have an aggregate of 50 MW
15 of QF capacity, it must offer the 9-year contract unless the parties negotiate a different term and
16 price.
- 17 • Upon the Utility reaching the aggregate 50 MW QF capacity cap for the standard offer contract,
18 the standard offer contract will no longer be available to prospective QFs.
- 19 • Once the standard offer contract is no longer available, prospective QFs will need to negotiate
20 the contract term (a minimum of three years) and the purchase rates with the Utility. The
21 negotiated contracts may include longer term contracts which contain a provision for avoided
22 cost reevaluation every three years.
- A Utility shall make its application and contracting procedures readily available to QFs.
- A QF must follow the interconnection procedures outlined by the Utility. The Utility is
obligated to make all the necessary interconnections with the QF to accomplish purchase or
sales of energy and capacity.

23 Staff further recommends that the avoided cost rate for QFs be updated as part of the Utility’s next rate
24 case proceeding.

25 Staff notes that its recommendation is similar to the positions taken by other states in their
26 efforts to modernize PURPA to recognize the evolving market conditions and technology changes over
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28 ⁷² Tr. Vol. II at 390:1-12.

1 the last 40 years. Testifying on behalf of Staff, Mr. Patrick LaMere noted that Idaho has set a maximum
2 contract term of two years in several cases; Oregon and Utah set contract terms for a fixed rate up to
3 15 years; Washington established a 15-year contract term for large QFs, and a standard offer contract
4 for QFs up to 5 MW; and North Carolina reduced the maximum length of standard offer contracts from
5 15 years to 10 years.⁷³ Staff contends that its recommendation balances the interest of the ratepayers,
6 the utility, and the QFs. According to Staff, its recommendation is consistent with state and federal
7 law and is in the public interest.

8 Staff maintains that its recommendation is consistent with recent changes made to the
9 Commission's IRP process as well as potential changes to the Commission's Energy Rules.
10 Specifically, Staff notes that the timeline for load-serving entities to file their IRP has recently been
11 extended from two years to three years.⁷⁴ Additionally, on April 25, 2019, Staff filed proposed
12 modifications to the Commission's Energy Rules recommending that a three-year resource planning
13 cycle be adopted by the Commission.⁷⁵ Staff notes that once its recommended standard offer QF
14 contract is no longer available, the minimum three-year QF contract term will "sync up" with the IRP
15 process cycles, allowing the utility to plan with better certainty its future capacity needs in line with
16 forecasted demand, production cost models, and potential QF contracts.⁷⁶

17 Staff asserts that longer-term QF contracts shift risk to ratepayers. Mr. LaMere testified that if
18 a long-term QF contract is executed at a time when the utility's avoided cost is declining, there is a
19 substantial risk that ratepayers will pay more for energy than they otherwise should be paying.⁷⁷ Staff
20 notes that under current PURPA rules, once a contract is entered into between a QF and a utility, the
21 Commission is without authority to revisit the avoided cost rate paid, even if changed circumstances
22 result in the contract price being unfavorable to the utility, and ultimately the ratepayers. Given the
23 current trend of decreasing avoided costs, Staff argues that locking utilities into a 15-year contract term,

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26 ⁷³ Exh. S-1b at 13.

⁷⁴ See Decision No. 76632 (March 29, 2018).

27 ⁷⁵ Docket No. RU-00000A-18-0284 ("In the Matter of Possible Modifications to the Arizona Corporation Commission's
Energy Rules").

⁷⁶ Staff Closing Brief at 13.

28 ⁷⁷ Tr. Vol. III at 875:23-876:7.

1 rather than the shorter terms recommended by Staff, will result in the ratepayers paying higher costs
2 than they should be required to pay.

3 Staff argues that avoided cost rates set for shorter terms would better reflect the utility's actual
4 avoided costs, and thereby ensure just and reasonable rates paid by ratepayers. According to Staff,
5 there are many factors influencing the avoided cost calculation that cannot be predicted with precision,
6 including load growth, customer energy usage, and future technology development. Additionally, Staff
7 contends that as neighboring states meet renewable energy goals, more and more renewable energy
8 and solar energy will flood the system during the middle of the day, which would continue to decrease
9 market costs during that time.⁷⁸ In light of the multitude of variables and uncertainties inherent in
10 forecasting avoided costs, Staff maintains that its recommendation strikes a reasonable balance
11 between the parties' interests under PURPA and the Commission's PURPA Policy, and ensures that
12 the rates paid to QFs are just and reasonable, and in the public interest.

13 Although Staff advocates for shorter-term QF contracts, Staff asserts that the two-year contract
14 limitation proposed by TEP is not in the public interest because it does not balance the interests of all
15 the parties involved. Further, Staff maintains that the contract term proposed by TEP is generally not
16 consistent with how other states have implemented PURPA. Staff notes that only Idaho has set a
17 maximum contract term of two years for certain QF contracts.

18 In response to Sierra Club's suggestion that PURPA benefits Arizona by creating competition,
19 Staff notes that PURPA was never intended to promote competition between renewable resources and
20 utility-owned resources. Rather, "PURPA was created as a vehicle to reduce the nation's dependency
21 on foreign oil and to conserve energy, not to foster competition."⁷⁹

22 In response to Sierra Club's contention that QFs will not be able to obtain financing if the
23 contract term is less than 15 years, Staff notes that no testimony was presented that any party was
24 specifically denied financing under a contract with a shorter term. Further, Staff cites 1.21 GW witness
25 Mr. Jacoby's testimony indicating that a QF contract with a two-year or a ten-year term could be

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27 ⁷⁸ Tr. Vol. III at 697:21-698:19.

28 ⁷⁹ *Kamine/Besicopr Allegany L.P. v. Rochester Gas & Elec. Corp.*, 908 F. Supp. 1194, 1204 (W.D.N.Y. 1995); *see also* *Greensboro Lumber Co. v. Georgia Power Co.*, 643 F. Supp. 1345, 1373 (N.D. Ga. 1986), *aff'd* 844 F.2d 1538 (11th Cir. 1988) ("Congress did not intend to place [QFs] in competition with public utilities.").

1 financed depending on price.⁸⁰ As a result, Staff contends that a contract term of 15 years is not
2 necessary for a QF to function under PURPA in Arizona.

3 In response to Sierra Club's position that QF energy supply can be curtailed by the utility, Staff
4 notes that curtailment is only possible if the QF reaches an agreement with the utility to have its power
5 curtailed. According to Staff, the need to curtail QF energy supply is a serious issue and the utilities
6 are limited in their ability to do so, particularly if the QFs are unwilling to agree to curtail their power.

7 In response to WRA's contention that the Commission's PURPA Policy fails to give effect to
8 the intent of PURPA, Staff argues that this contention overlooks the fact that PURPA's objective has
9 been realized in Arizona and throughout the nation. According to Staff, the adoption of new
10 technologies and the propagation of renewable facilities have changed the energy landscape over the
11 last 40 years, thereby fulfilling the goals of PURPA. Further, Staff notes that FERC has acknowledged
12 that the changed energy landscape since the enactment of PURPA has necessitated PURPA reform.

13 In response to 1.21 GW's position that its pending PURPA projects must be allowed to move
14 forward to take advantage of the ITC, Staff notes that 1.21 GW does not currently have any "pending"
15 projects with a legally enforceable obligation. Further, Staff notes that 1.21 GW will not lose eligibility
16 to receive the 30 percent tax credit if it takes advantage of the "Physical Work Test of Five Percent
17 Safe Harbor"⁸¹ provision of the ITC by commencing construction of the project prior to January 1,
18 2020, and placing the project in service prior to January 1, 2024. As a result, Staff argues that the
19 potential ITC stepdown after January 1, 2020, should not drive the timing of a Commission decision
20 in this matter.

21 Staff contends that its contract term proposal strikes a reasonable balance between the terms
22 proposed by the parties, that it aligns with PURPA's intent and the Commission's PURPA Policy, and
23 that it should therefore be adopted by this Commission.

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27 ⁸⁰ Tr. Vol. II at 431:18-432:11.

28 ⁸¹ The "Physical Work Test of Five Percent Safe Harbor" provision is generally considered satisfied when: 1) the taxpayer pays or incurs five percent or more of the total cost of the energy project; and 2) the taxpayer makes continuous efforts to advance towards completion of the energy project. Exh. S-1A at 10; 26 U.S.C. §§ 48(a)(2)(A), 48(a)(6)(A), and 48(a)(6)(B).

VII. Resolution

The Commission recognizes the value and necessity of increased investment in renewable energy resources in Arizona. The enforcement of PURPA is one such avenue to encourage renewable energy development. This Commission's own PURPA policy, enacted in 1981, explicitly requires this body to "take an active leadership role in the development of waste heat and renewable energy resources...." By adopting an 18-year minimum contract term, this Commission is upholding to its own 1981 policy, as well as adhering to the PURPA statute as currently enacted. It also aligns with the Integrated Resource Planning process, as recommended by Staff, and complies with the PURPA requirement that each contract be "long enough to allow QFs reasonable opportunities to attract capital from potential investors."⁸² This is the standard we apply here.

We find no reason to discriminate between QFs between 100 kW and 2 MW and those 2 MW or larger, so we cannot support the 2 MW cap recommended by Staff.

We further find that there is insufficient support for imposition of a 50 MW cap per utility.

TEP expressed concern regarding QF development impact on their 15-year Integrated Resource Plan. To track the actual impact, TEP should report the following data every three years in tandem with, or as part of, the Integrated Resource Plan: number of QF contracts entered into to date, nameplate capacity for each interconnected QF to date; the avoided cost rate for each QF interconnected to date.

The foregoing does not apply to the Cooperatives given their unique status and the potential impact of long-term, fixed-price QF contracts on their member ratepayers as established in the record. Therefore, the Cooperatives shall not be subject to a minimum contract requirement.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On December 5, 2017, TEP filed an application for approval of revisions to TEP's Partial Requirements Services Tariff, Rider-11.

⁸² *Windham Solar LLC & Allco Fin. Ltd.*, 157 FERC ¶161,134 (2016) at ¶8.

2. Intervention in this docket was granted to Sierra Club, AEPG, GCSECA, 1.21 GW, and WRA.

3. On December 11, 2018, the Commission's Utilities Division ("Staff") filed a Memorandum and Proposed Order recommending, *inter alia*, that TEP's proposal to limit contract terms for QFs be denied.

4. On December 17, 2018, the Commission considered this matter at its scheduled Open Meeting. At that time, the Commission directed that this docket, along with similar dockets involving APS⁸³ and UNSE,⁸⁴ be submitted to the Hearing Division for a combined hearing, but separate resolution.

5. On January 8, 2019, a Procedural Order was issued scheduling a procedural conference to commence on January 17, 2019.

6. On January 15, 2019, Chairman Burns filed a letter in the docket requesting that the parties discuss the feasibility of expediting the hearing in this matter.

7. On January 17, 2019, the procedural conference was held as scheduled, with TEP, UNSE, APS, Sierra Club, Clenera, LLC ("Clenera"),⁸⁵ and Staff appearing through counsel. At that time, the procedural schedule and hearing date jointly proposed by Staff, TEP, APS, and UNS were determined reasonable and appropriate under the circumstances. According to Staff, resource constraints would not allow Staff to meaningfully participate in this matter under a more expedited procedural schedule.

8. On January 23, 2019, by Procedural Order, a hearing in this matter was set to commence on November 13, 2019, and other procedural deadlines were set.

9. On February 6, 2019, at a scheduled Staff Open Meeting, the Commission discussed whether affected parties would be adversely impacted if the hearing date and procedural schedule for this matter could not be modified to accommodate a more expedited schedule. The Commission directed the Hearing Division to convene a procedural conference to further discuss the feasibility of expediting the hearing in this matter.

⁸³ Docket No. E-01345A-16-0272.

⁸⁴ Docket No. E-04204A-18-0087.

⁸⁵ Clenera did not apply for intervention, and is therefore not a party to this proceeding.

1 10. On February 8, 2019, by Procedural Order, a procedural conference was scheduled to
2 commence on February 25, 2019.

3 11. On February 25, 2019, the procedural conference was held as scheduled, with TEP,
4 UNSE, APS, AEPG, Sierra Club, Clenera,⁸⁶ and Staff appearing through counsel. At that time, the
5 parties discussed the feasibility of expediting the existing hearing dates scheduled in this matter. Staff
6 reiterated its position that resource constraints would not allow Staff to meaningfully participate in this
7 matter under a more expedited procedural schedule. As a result, the existing hearing dates were
8 affirmed.

9 12. On February 27, 2019, TEP filed an affidavit of publication certifying that the required
10 notice had been published in the *Arizona Daily Star*, a newspaper of general circulation in TEP's
11 service territory, on February 18, 2019.

12 13. On April 25, 2019, Commissioner Kennedy filed a letter requesting that this matter be
13 placed on the May Staff Open Meeting agenda.

14 14. On May 30, 2019, at a scheduled Staff Open Meeting, the Commission discussed
15 whether the existing procedural schedule for this matter could be modified to accommodate a more
16 expedited timeframe. At that time, Staff indicated that it could meaningfully participate in this matter
17 if the hearing was rescheduled for the end of August 2019. The Commission directed the Hearing
18 Division to convene a procedural conference.

19 15. Later, on May 30, 2019, a Procedural Order was issued scheduling a procedural
20 conference to commence on June 4, 2019.

21 16. On June 4, 2019, the procedural conference was held as scheduled, with TEP, UNSE,
22 APS, AEPG, Sierra Club,⁸⁷ GCSECA, and Staff appearing through counsel. Additionally, counsel for
23 Clenera attended and stated that it would intervene in this proceeding if the hearing was rescheduled
24 for August 2019. The parties discussed and agreed upon modifications to the procedural schedule to
25 accommodate an August 2019 hearing.

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27 _____
28 ⁸⁶ Clenera was advised that future participation in this proceeding would be limited to public comment due to its failure to
intervene as a party.

⁸⁷ Counsel for Sierra Club appeared telephonically.

1 17. On June 5, 2019, a Procedural Order was issued rescheduling the hearing to commence
2 on August 27, 2019, and establishing other procedural deadlines and requirements.

3 18. On June 24, 2019, TEP filed an affidavit of publication certifying that the required
4 notice had been published in the *Arizona Daily Star*, a newspaper of general circulation in TEP's
5 service territory, on June 17, 2019, and posted prominently on TEP's website.

6 19. On July 8, 2019, TEP filed the direct testimony of Mr. Michael E. Sheehan.

7 20. On July 31, 2019, Staff filed a Request for Extension of Time to File Direct Testimony.

8 21. On August 1, 2019, a Procedural Order was issued scheduling a procedural conference
9 to commence on August 2, 2019, for the purpose of discussing Staff's extension request.

10 22. On August 2, 2019, the procedural conference was held as scheduled, with TEP, UNSE,
11 APS, AEPG, Sierra Club,⁸⁸ GCSECA, 1.21 GW, WRA, and Staff appearing through counsel. At that
12 time, a discussion occurred regarding Staff's requested extension as well as potential modifications to
13 the existing procedural schedule. Staff's requested extension was thereafter granted, and the deadlines
14 for conducting discovery and the filing of rebuttal testimony associated with Staff's direct testimony
15 was extended until August 23, 2019.

16 23. On August 5, 2019, GCSECA filed the direct testimony of Mr. Kurt Strunk; Sierra Club
17 filed the direct testimony of Mr. Neal Townsend; and 1.21 GW filed the direct testimony of Mr. Ben
18 F. Jacoby.

19 24. On August 15, 2019, Staff filed a Request for Extension of Time to File Direct
20 Testimony, requesting a one-day extension of time to file its direct testimony.

21 25. Also on August 15, 2019, 1.21 GW filed a Motion to Compel requesting an order
22 compelling TEP and UNSE to respond to certain discovery requests. By Procedural Order dated
23 August 16, 2019, a procedural conference was scheduled for August 20, 2019.

24 26. On August 16, 2019, Staff filed the direct testimony of Mr. Patrick LaMere.

25 27. On August 20, 2019, the procedural conference was held as scheduled, with TEP,
26 UNSE, APS, GCSECA, 1.21 GW, WRA, and Staff appearing through counsel.⁸⁹ At that time, oral
27

28 ⁸⁸ Counsel for Sierra Club appeared telephonically.

⁸⁹ Sierra Club and AEPG did not enter appearances.

1 argument was heard on the discovery dispute, and TEP and UNSE were ordered to provide responses
2 to 1.21 GW's discovery requests.

3 28. Also on August 20, 2019, TEP filed the rebuttal testimony of Mr. Michael E. Sheehan;
4 GCSECA filed the rebuttal testimony of Mr. Kurt Strunk; Sierra Club filed the rebuttal testimony of
5 Mr. Neal Townsend; and 1.21 GW filed the rebuttal testimony of Mr. Ben F. Jacoby.

6 29. On August 21, 2019, a joint prehearing conference was convened with TEP, UNSE,
7 APS, AEPG, Sierra Club,⁹⁰ GCSECA, 1.21 GW, WRA, and Staff appearing through counsel. At that
8 time, the parties discussed dates certain for the taking of witness testimony. Additionally, 1.21 GW's
9 request to call a witness (Mr. Jason Ellsworth) for the limited purpose of responding to allegations
10 contained in APS's rebuttal testimony was granted.

11 30. On August 23, 2019, TEP filed the rebuttal testimony (responsive to Staff's direct
12 testimony) of Michael E. Sheehan; Sierra Club filed the rebuttal testimony (responsive to Staff's direct
13 testimony) of Mr. Neal Townsend and 1.21 GW filed the rebuttal testimony (responsive to Staff's direct
14 testimony) of Mr. Ben F. Jacoby.

15 31. On August 26, 2019, a joint public comment session was held at the Commission's
16 offices, with TEP, UNSE, APS, AEPG, GCSECA, 1.21 GW, WRA, and Staff appearing through
17 counsel.⁹¹ Three members of the public appeared telephonically to provide public comment.

18 32. On August 27, 2019, 1.21 GW filed a Summary of Expected Testimony of Jason
19 Ellsworth.

20 33. On August 27, 28, and 29, 2019, a full public joint evidentiary hearing was held before
21 a duly authorized Administrative Law Judge of the Commission. At that hearing, TEP, UNSE, APS,
22 Sierra Club, AEPG, GCSECA, 1.21 GW, WRA, and Staff appeared through counsel. TEP and UNSE
23 provided the testimony of Mr. Michael E. Sheehan; APS provided the testimony of Mr. Bradley J.
24 Albert and Mr. Leland R. Snook; GCSECA provided the testimony of Mr. Kurt Strunk; Sierra Club
25 provided the testimony of Mr. Neal Townsend; 1.21 GW provided the testimony of Mr. Ben F. Jacoby
26 and Mr. Jason Ellsworth; and Staff provided the testimony of Mr. Patrick LaMere.

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28 ⁹⁰ Counsel for Sierra Club appeared telephonically.

⁹¹ Sierra Club did not enter an appearance.

1 34. On October 4, 2019, Staff filed a Request for Procedural Conference requesting the
2 scheduling of a procedural conference to discuss, among other things, whether this matter should be
3 suspended in light of the recently published FERC NOPR.

4 35. Later, on October 4, 2019, a Procedural Order was issued scheduling a procedural
5 conference to commence on October 8, 2019.

6 36. On October 8, 2019, the procedural conference was held as scheduled, with TEP, UNSE,
7 APS, AEPG, Sierra Club,⁹² GCSECA, 1.21 GW, WRA, and Staff appearing through counsel. At that
8 time, the parties provided oral argument on the issue of whether this proceeding should be suspended
9 pending the final rulemaking relating to the FERC NOPR. The issue was thereafter taken under
10 advisement.

11 37. On October 9, 2019, the parties filed their respective initial closing briefs.

12 38. On October 16, 2019, the parties filed their respective reply briefs.

13 39. Based on the record in this proceeding, the Commission finds that TEP QF Tariffs shall
14 be revised and modified to reflect the following terms and conditions with respect to contracts between
15 TEP and QFs with a nameplate capacity over 100 kW:

- 16
17 • TEP will provide QFs with a contract term of no less than eighteen (18) years, applicable to a
18 QF with nameplate capacity over 100 kW.
- 19 • TEP shall offer QFs contracts that have business terms that are reasonably similar to other PPAs
20 that the utility has entered into previously.
- 21 • The rate paid to the QF will be established using TEP's long-term avoided cost. TEP shall use
22 the long-term avoided cost methodology established by the Commission.
- 23 • TEP shall make its application and contracting procedures readily available to QFs.
- 24 • A QF must follow the interconnection procedures outlined by TEP. TEP is obligated to make
25 all the necessary interconnections with the qualifying facility to accomplish purchase or sales
26 of energy and capacity.

27
28 ⁹² Counsel for Sierra Club appeared telephonically.

1 40. It is reasonable to track the actual impact of QF development on TEP's Integrated
2 Resource Plan. Thus, we shall require TEP to report all relevant QF data, including but not limited to
3 the following, every three years in tandem with, or as part of, the Integrated Resource Plan:

- 4 • number of QF contracts entered into to date;
- 5 • nameplate capacity for each interconnected QF to date; and
- 6 • the avoided cost rate for each QF interconnected to date.

7 41. Based on the record in this proceeding, the Commission finds that the contractual terms
8 and conditions approved herein are in the public interest, and consistent with the Public Utility
9 Regulatory Policies Act of 1978 and Commission Decision Nos. 52345 (July 27, 1981) and 56271
10 (December 18, 1988).

11 42. This Decision applies to TEP and is not binding on any other public service corporation
12 in Arizona.

13 **CONCLUSIONS OF LAW**

14 1. Tucson Electric Power Company is a public service corporation within the meaning of
15 Article XV of the Arizona Constitution and A.R.S. Title 40, Chapter 2.

16 2. The Commission has jurisdiction over Tucson Electric Power Company and the subject
17 matter of the application.

18 3. Notice of the application was provided in the manner prescribed by law.

19 4. The resolution of the issues reached herein is in the public interest, and consistent with
20 the Public Utility Regulatory Policies Act of 1978 and Commission Decision Nos. 52345 (July 27,
21 1981) and 56271 (December 18, 1988).

22 **ORDER**

23 IT IS THEREFORE ORDERED that Tucson Electric Power Company's application to revise
24 its Partial Requirements Services Tariff, Rider-11 is hereby approved, as modified and discussed
25 herein.

26 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a revised Partial
27 Requirements Services Tariff, Rider-11 consistent with this Decision no later than December 31, 2019.

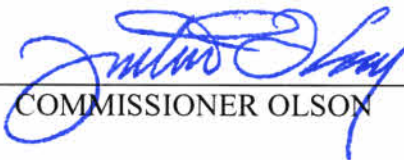
IT IS FURTHER ORDERED that that Tucson Electric Power Company shall provide all relevant QF data to this Commission every three years, in tandem with or as part of the Integrated Resource Planning report. Data should include but not be limited to:

- number of QF contracts entered into to date;
- nameplate capacity for each interconnected QF to date; and
- the avoided cost rate for each QF interconnected to date.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

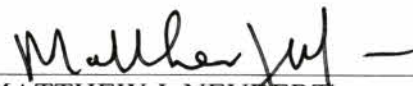
 CHAIRMAN BURNS  COMMISSIONER DUNN  COMMISSIONER KENNEDY

 COMMISSIONER OLSON

 COMMISSIONER MÁRQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 17 day of December 2019.


MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SMH/gb

SERVICE LIST FOR:

TUCSON ELECTRIC POWER COMPANY

DOCKET NO.:

E-01933A-17-0360

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